

~~ROUTING SLIP~~

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
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11	IG				
12	Compt				
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15	D/PERS				
16	D/Ex Staff				
17	D/EURA/DI		X		
18	NIO/EUR		X		
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SUSPENSE		Date			

Remarks

ER 89-2041

STAT

Executive Secretary

18 May '89

Date

3637 (10-81)



8911159 - XR 8910380
United States Department of State
Washington, D.C. 20520

May 17, 1989

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MEMORANDUM FOR

MR. BRENT SCOWCROFT
National Security Affairs Advisor
The White House

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

COLONEL GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

CAPTAIN ANTHONY MANESS, USN
Exec. Asst. to the Chairman
Joint Chiefs of Staff

MS. EMILY L. WALKER
Acting Executive Secretary
Department of the Treasury

MR. CRAIG R. HELSING
Chief of Staff
Department of Commerce

MS. SHARON MARSHALL
Assistant to the Secretary
Department of Agriculture

MR. GARY EDSON
Chief of Staff
U.S. Trade Representative

MR. ARTHUR E. GREEN
Executive Secretary
U.S. Information Agency

MR. DAVID HAUN
Executive Assistant to the
the Director
Office of Management
and Budget

SUBJECT: PCC Meeting on Poland and Hungary

Please transmit the attached meeting notification and attachments to principals of the Policy Coordinating Committee for Europe. Attendance should be restricted to principals plus one.

J. Stapleton Roy
J. Stapleton Roy
Executive Secretary

Attachment:
As stated.

B-413-1R

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United States Department of State

Washington, D.C. 20520

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MEMORANDUM

TO: PCC PARTICIPANTS

FROM: Rozanne ~~Star~~ Ridgway, Chairman
PCC on Europe

SUBJECT: PCC Meeting on Poland and Hungary

A meeting of the Policy Coordinating Committee for Europe will be held as follows:

DATE: Friday, May 19, 1989

TIME: 10:00 a.m. - 12 noon

LOCATION: Room 6226A, State Department

AGENDA: The President's Trip to
Poland and Hungary

The meeting will be chaired by EUR Deputy Assistant Secretary Thomas W. Simons, Jr.

Principals plus one are invited to attend. Participants should telephone their attendance to Mr. Daniel Fried, telephone: 647-1070.

Attachments:

- Tab 1) NSD-9 on Poland
- Tab 2) Draft cable on Western consultations on Poland

DIST: Dr. Condoleezza Rice, Deputy Director for Eastern Europe and the Soviet Union, National Security Council

Mr. Harvey Shapiro, Deputy Director, Office of East-West Economic Policy, Department of Treasury

Ms. Susanne Lotarski, Office Director of Eastern European and Soviet Affairs, Department of Commerce

Chief, East Europe Division, Central Intelligence Agency

Mr. Martin Van Heuven, National Intelligence Officer, Europe, Central Intelligence Agency

Mr. George Bader, Principal Director for European and NATO Policy, Department of Defense

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Mr. Stan Kwieciak, Army Member, Chairman Staff Group,
Office of Joint Chiefs of Staff, Department of
Defense

Mr. Michael Eisenstadt, Director, European Area,
U.S. Information Agency

Mr. Rodney Bent, Branch Chief, Economic Affairs
Branch, International Affairs Division, Office of
Management and Budget

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THE WHITE HOUSE

WASHINGTON

May 8, 1989

NATIONAL SECURITY DIRECTIVE - 9

8910380

89 MAY-09 12:02 AM

MEMORANDUM FOR THE VICE PRESIDENT
 THE SECRETARY OF STATE
 THE SECRETARY OF THE TREASURY
 THE SECRETARY OF DEFENSE
 THE SECRETARY OF COMMERCE
 THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
 THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY
 THE UNITED STATES TRADE REPRESENTATIVE
 CHIEF OF STAFF TO THE PRESIDENT
 ASSISTANT TO THE PRESIDENT FOR NATIONAL
 SECURITY AFFAIRS
 THE DIRECTOR, UNITED STATES INFORMATION AGENCY

SUBJECT: Actions to Respond to Polish Roundtable Agreement
 (U)

I hereby direct that the following measures listed below be taken in response to the Polish Roundtable Agreement. (U)

- The United States will indicate to its Allies willingness to consider substantial rescheduling of Poland's official debt within the Paris Club. (C)
- The United States will inform its allies and IMF management that the United States supports negotiations between Poland and the IMF on a stand-by arrangement subject to normal IMF conditions. (U)
- The United States will publicly indicate willingness to support viable private sector loans by the International Finance Corporation. (U)
- Legislation will be sought to accord Generalized System of Preferences to Poland. GSP treatment eliminates tariffs on a variety of products. (C)
- Legislation will be sought to make Poland eligible for Overseas Private Investment Corporation insurance. (C)

Private Sector Involvement

- The United States will offer to negotiate a government to government Small/Private Business Agreement to facilitate direct contacts with Poland's private business sector.

ORIGINAL AND 1 COPY TO:

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ADVANCE COPIES TO:

MAY - 8 1989

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S/S-1 SUPV.

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- The United States will expand training and exchange programs, targeted at the emerging private sector, in Poland. (U)
- The United States will signal support for voluntary private sector swaps of existing Polish debts for equity in Polish enterprises, or environmental, educational or other humanitarian programs. (U)

By *Burk*
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5/16/89 647-1070 WANG 2519A
EUR:RLRIDGWAY

EUR:TWSIMONS
EUR/EEY:JCLOUD
P/STAFF:EEDELMAN
S/S:

EUR/EEY:MHORNBLOW
EB/IFD/OMA:RBOGOSIAN
S/P:JHOLMES
S/S-0:

EUR/RPE:WDAMERON
TREASURY:
EUR/RPM:MGUEST
NSC/STAFF:

PRIORITY LONDON, PARIS PRIORITY, BONN PRIORITY, ROME PRIORITY
VIENNA PRIORITY, OTTAWA PRIORITY, TOKYO PRIORITY, BERN PRIORITY +
PRIORITY WARSAW, MOSCOW PRIORITY, USNATO PRIORITY

EXDIS - BRUSSELS ALSO FOR USEC; PARIS ALSO FOR USOECD

E.O. 12356: DECL:OADR

TAGS: PREL, EFIN, PL

SUBJECT: WESTERN RESPONSE TO POLISH REFORMS:
- CONTINUED CONSULTATIONS

RLR
DF
TWS JS/MH
JC RB
EE JH

REF: STATE 118124 {NODIS}

1. {C - ENTIRE TEXT}.
2. THE USG WISHES TO CONTINUE WESTERN AND ALLIED CONSULTATIONS ON POLAND. EXCHANGES ALONG THE LINES ALREADY ESTABLISHED {REFTEL} SHOULD BE ESPECIALLY USEFUL GIVEN THE TOP-LEVEL VISITS BETWEEN KEY WESTERN COUNTRIES AND POLAND DUE TO TAKE PLACE OVER THE COMING MONTHS, INCLUDING THE JULY VISIT BY PRESIDENT BUSH. HOST GOVERNMENTS ARE FAMILIAR WITH THE FUNDAMENTALS AND OBJECTIVES OF THE USG POLICY APPROACH AS WELL AS WITH THE SPECIFICS ANNOUNCED BY THE PRESIDENT ON APRIL 17. GIVEN THE RECENT ACCELERATION OF POLISH EFFORTS TO CONCLUDE ITS PENDING PARIS CLUB BILATERALS, THE USG BELIEVES THAT THE WAY IS NOW CLEAR FOR POLISH NEGOTIATIONS WITH THE IMF AND, AT THE APPROPRIATE TIMES, WITH THE PARIS CLUB AND THE IBRD. TO CONTINUE SHARING USG THINKING AND TO ELICIT HOST COUNTRY VIEWS, ACTION ADDRESSEE POSTS SHOULD APPROACH HOST GOVERNMENTS AT THE APPROPRIATE LEVEL.

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DRAWING UPON THE ABOVE AND UPON THE FOLLOWING POINTS:

- THE PRESIDENT'S INITIATIVE FOR POLAND INCLUDES CONDITIONAL AND CAREFULLY-CRAFTED STEPS TO SUPPORT POLAND'S POLITICAL AND ECONOMIC REFORMS AS THESE TAKE ROOT OVER TIME.
- WE ANTICIPATE THE GOP WILL APPROACH MANY OF US IN THE COMING WEEKS AND MONTHS, APPEALING FOR SUPPORT AS IT GRAPPLES WITH THE DIFFICULT ISSUES OF DEBT REPAYMENT AND ECONOMIC RESTRUCTURING.
- WHILE OUR NATIONAL POSITIONS WILL NOT BE AND NEED NOT BE IDENTICAL, IT IS IMPORTANT THE POLES GET THE SAME GENERAL MESSAGE.
- ON MAY 15, PARTY SECRETARY CZYREK TOLD THE PRESIDENT THAT POLAND WAS SERIOUS ABOUT ECONOMIC AND POLITICAL REFORM. HE URGED SWIFT WESTERN SUPPORT FOR POLAND'S EFFORTS, SPECIFICALLY WITH THE PARIS CLUB, IMF AND IBRD. THE PRESIDENT RESPONDED THAT THE U.S. SUPPORTS POLAND'S REFORM EFFORTS AND WISHES TO BE HELPFUL, BUT IN THAT CONTEXT LOOKS TO POLAND'S FULFILLMENT OF ITS REFORM PROGRAM.
- THE WEST CANNOT MAKE THE DIFFICULT ECONOMIC AND POLITICAL CHOICES FOR POLAND, BUT WE CAN HELP POLAND HELP ITSELF.
- SINCE THE WESTERN CONSULTATIONS HELD JUST PRIOR TO THE PRESIDENT'S SPEECH, THE GOP HAS INTENSIFIED EFFORTS TO NEGOTIATE ITS LONG-PENDING PARIS CLUB BILATERAL AGREEMENTS STEMMING FROM THE 1986-88 RESCHEDULING AGREEMENT SIGNED IN LATE-1987.
- THE GOP MAY BE SEEKING TO CLEAR UP UNFINISHED BUSINESS AS A PRELUDE TO EFFORTS TO IMPROVE ITS RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS, INCLUDING THE PARIS CLUB, IMF AND WORLD BANK.
- ALSO, THE POLES HAVE FAILED TO MEET A \$24 MILLION PRINCIPAL PAYMENT DUE IN APRIL TO THEIR COMMERCIAL BANKS. {THEY ARE CONTINUING TO MAKE THEIR COMMERCIAL DEBT INTEREST PAYMENTS.} THE GOP IS LIKELY TO SEEK A NEW, MORE ADVANTAGEOUS RESCHEDULING OF THEIR COMMERCIAL DEBT.
- THE U.S. SUPPORTS NEGOTIATIONS BETWEEN POLAND AND THE IMF ON A STAND-BY ARRANGEMENT SUBJECT TO NORMAL IMF

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CONDITIONS. WE ARE INFORMING THE IMF MANAGEMENT OF OUR VIEWS. WE ANTICIPATE THAT AFTER THE JUNE ELECTIONS THE GOP CAN BEGIN SERIOUS WORK WITH THE IMF.

-- PROGRESS IN POLISH-IMF NEGOTIATIONS, AND CONTINUED POLISH MOVEMENT ON ITS OUTSTANDING PARIS CLUB BILATERALS, WILL PAVE THE WAY FOR A NEW PARIS CLUB RESCHEDULING. THE U.S. IS WILLING TO CONSIDER A SUBSTANTIAL RESCHEDULING.

-- WHILE THE PRESIDENT'S INITIATIVE DID NOT INCLUDE WORLD BANK PROJECT LOANS, IN THE U.S. VIEW, CONCLUSION OF A STAND-BY AGREEMENT WILL OPEN THE WAY FOR IBRD APPROVAL OF FINANCIALLY-SOUND PROJECT LOANS.

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ADDITIONAL ACTION ADDRESSEES

THE HAGUE PRIORITY
STOCKHOLM PRIORITY
COPENHAGEN PRIORITY
OSLO PRIORITY
BRUSSELS PRIORITY
MADRID PRIORITY

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